



September 27, 2005

Board of Supervisors
Waukesha County Courthouse
515 West Moreland Boulevard
Waukesha, Wisconsin 53188

Honorable County Board Members:

The 2006 Waukesha County Executive Budget, themed "Budgeting for a Low Tax Future", is enclosed for your thorough review. I am pleased to inform you that it accurately demonstrates the County's commitment to maintaining priority services with fiscal restraint. As we look towards the future, our operating budget, in concert with our capital budget, puts us in a position to maintain our minimal tax increases for the next several years.

You will be happy to learn that this budget successfully achieves balancing the County's service and infrastructure needs while limiting tax levy increases. By carefully weighing core priorities with exemplary budget management policies and practices, the County property tax rate has been reduced for the 16th consecutive year. As proposed, it will drop by \$0.14 to \$1.97 per \$1,000 of equalized value. This is the lowest tax rate in at least 40 years according to records.

Please understand that as you review this document and set the County's final budget plan, there will be several challenges ahead, which include addressing these impacts:

- Jail expansion project operating impacts
- Increasing energy costs
- Employee health care and Wisconsin retirement contribution cost increases
- Insufficient state and federal revenues to fully fund increasing mandated costs
- Growing demands from customers in several service sectors

During these challenging economic times, it is important to remain focused on proven budget philosophies and key values of Waukesha County. This budget retains the County's fiscal integrity and serves the best interests of our citizens in the long run. As elected representatives of Waukesha County, it is our duty to examine this budget carefully by taking the necessary time to understand its vital elements.

In my dual role as acting County Executive and County Board Chairman, it has been an honor to oversee the preparation of the 2006 Waukesha County Executive Budget for your consideration, and I encourage you to support priorities addressed in this Executive Budget. By doing so, you will help strengthen the public trust and you will help establish the guiding principles needed to make "Budgeting for a Low Tax Future" a reality.

IMPACT ON HOMEOWNERS

Based on an average 2005 home value of \$256,700 (2000 U.S. Census Bureau value of \$182,900 adjusted annually for residential market inflation), the average County residential taxpayer will realize a tax increase of about 1.9% in 2006. Since the best measure of tax performance is over the long term, it is important to know that the County's property taxes have averaged less than a 1 ½% increase per year for the past ten years, which is below the rate of inflation for this period.

LIMITING TAXES AND SPENDING

Our growing County continues to pose the challenge of meeting the demand for quality services while limiting spending and tax increases. By "Budgeting for a Low Tax Future", we seek effective ways to minimize the tax burden for our residents through the efficient maintenance and management of the County's vital services and programs. As we are forced to make difficult priority funding decisions during this budget cycle, it is imperative to consider the property owner's ability to pay for quality County government services. Thankfully, Waukesha County continues to have the lowest county tax rate in the state for counties that have not implemented a sales tax. Even when we take into account those counties with an enacted sales tax, I am proud to inform you that Waukesha County remains 70th out of 72 counties.

The 2005 County property tax (General and Federated Library tax), excluding debt service levy, totals \$78,776,482 (for 2006 budget purposes). Even though state law would have allowed us to increase the County's tax levy by 2.8%, I chose to limit spending and only raised it by 2.67%, which represents an increase of \$2,051,516 from the comparable 2004 tax levy. In addition, no new tax levy is proposed for any borrowing after July 1, 2005. This spending control demonstrates my commitment to maintaining the County's exceptional fiscal health, and it has been achieved without the state intervening in County business operations.

Budget expenditure appropriations in 2006 total \$251,633,770. This is a reduction of over \$2.7 million and consists of \$21,184,700 in capital project spending and \$230,449,070 in operating expenditures. The capital expenditure budget is reduced by \$8.5 million, mainly due to the final year of funding for the first phase of the Jail addition project. It also gives priority to maintaining the County's infrastructure, particularly existing highways, where you will see increases in our repaving program, and in our facilities. The operating expenditure budget increases by \$5.8 million or 2.58%.

The major budget driver in 2006 is the \$1.4 million to provide for the first full year operating impact of the new 278-bed Jail addition, which is an unfortunate necessity. The Jail addition impact expands to a full year of budget funding, which includes 5 new jail positions being phased-in over the next year (for a total of 33.5 new Jail expansion positions), and Public Works utilities and maintenance costs, which include a full year impact of 4 new positions created in the 2005 budget for the Jail opening this Fall.

An initiative to control access to and to secure the perimeter of the Courthouse and Administration Center is included at a cost of \$250,000. In addition, energy, employee health care insurance, and pension costs are estimated to rise faster than the rate of inflation. Natural gas to heat county facilities is assumed to increase 12% and electricity is projected to rise 7%, resulting in higher budget energy costs in excess of \$150,000. Fuel cost for vehicle operations is assumed to increase by 20% or nearly \$160,000. Employee health insurance costs are estimated to rise by 6% and Wisconsin retirement pension contribution will require a 5% increase. Taken together, all of these factors have made this year's budget even more challenging than in past years.

A key factor in controlling spending is to control personnel costs, particularly new position growth. This budget does that by adding only 5.0 FTE net new positions related to the Jail addition.

STATE BUDGET BURDEN

The State budget remains in a structural deficit and continues to put a heavy burden on local governments in Wisconsin. As local governments grapple with the transfer of state program responsibilities, State revenues for the most part have been frozen and/or continue to decline. State unfunded mandates continue to grow, which now require over 40% or \$ 35.4 million of the County's local property tax to fund. The trend is up from under 25% in 1997.

With the State Budget Bill enacted, the County's primary Health and Human Services source of intergovernmental revenue, the Basic County Allocation (BCA), decreases \$28,300 reflecting a reduction in the Federal Social Services Block Grant passed through by the State. The 2006 budgeted level at \$11.4 million has not increased in the past ten years (since 1996). The lack of an increase in BCA revenue is a major factor behind Health and Human Services budget reductions. Also, the County's Youth Aids funding allocation is reduced by \$19,300, while the state increases the average daily corrections rate charged to counties for child caring institutions by 12%. This results in additional county placement costs of nearly \$65,000.

The lack of funding for these initiatives, coupled with the increasing rate charge above inflationary costs for mandated services, are significant drivers that increases the County's Health and Human Services tax levy need by over an additional \$600,000. Consequently, non-mandated human service programs are being reduced in this budget due to fiscal pressures in mandated program areas. These reductions include the following:

- Intake division education and outreach contractual services reductions total \$44,700. Specific reductions include a \$26,000 reduction to the Mental Health Association's community outreach/education contract, a \$12,700 decrease in Women's Center domestic violence counseling contract, and a \$6,000 reduction in the Association for the Rights of Citizens with Handicaps (ARCh) outreach/education for developmental disability advocacy.
- A reduction in Non-mandated BASIC grants (Basic Assistance and Services for Individuals in Crisis) of \$85,000 from \$167,560 to \$82,560. The remaining funding will be prioritized to provide support services to clients discharged from the Mental Health Center.
- A vacant clerk typist position will be abolished resulting in a cost savings of \$47,600 with the remaining clerical and professional staff to absorb the related duties.

While the costs to support the courts have dramatically increased, the State Circuit Court Support Grant funding allocation has been frozen since 2000, placing added pressure on property taxes. The County will need to levy \$150,000 of additional property taxes to support these courts next year in spite of efficiencies and budget actions taken. Circuit Court Services has implemented cost savings initiatives and has also reduced funding of a 0.75 FTE clerical staff position in the Court Commissioners program to limit its County tax levy support.

REGIONAL COOPERATION

The County continues to work in collaboration with regional partners to gain efficiencies and provide cost effective services. The following are just a few of those areas:

- Waukesha and Milwaukee Counties' Health and Human Service departments are planning to implement a joint initiative through a State Crisis Intervention Planning Grant. The two agencies will build on organizational strengths and expertise in diverting individuals, both mental health clients and the developmentally disabled, from hospitalization, improving crisis services for kids, and gaining access to respite services as developed by Milwaukee County. Due to the expanded capacity, crisis intervention program funding is budgeted to increase \$100,000.
- The Departments of Emergency Preparedness and Administration - Information Systems Division are working cooperatively with Milwaukee County, Ozaukee County, Racine County and the City of Milwaukee in applying for Federal grants to fund the infrastructure to begin providing the data linkage necessary for future interoperable public safety emergency response communications equipment.
- A Southeastern Wisconsin Regional Planning Commission (SEWRPC) study of future water resources and supply needs is in its 3rd year of a 4-year program, which is cooperatively funded by participating counties and is included in the Parks and Land Use budget at \$51,000.
- The Medical Examiner is planning to expand on efforts to coordinate and implement mutual aid agreements with other interested counties to provide assistance and share resources. The office currently provides regular services to Racine County through a contract.
- The County is planning to work together with the City of Milwaukee, the Milwaukee Metropolitan Association of Commerce (MMAC), and the seven southeastern counties to fund a portion of a regional economic development promotional effort.
- The Parks and Land Use budget appropriates \$286,000 of grant funded expenditures associated with the continuation of the 3-year \$812,300 Smart Growth grant accepted through 2005 enrolled ordinance 160-13. The Smart Growth initiative includes participation from Waukesha County, 27 local municipalities, and the SEWRPC in a multi-jurisdictional planning effort to update the comprehensive development plan for Waukesha County.

INFRASTRUCTURE INVESTMENTS

The County is a leader in the way it plans for the future. One way that it accomplishes this is through its comprehensive 5-year capital plan that addresses basic infrastructure needs while balancing those of the operating budget. According to recent citizen input, "priority one is to properly maintain what we have first, and once we have accomplished that, continue to expand and improve our infrastructure and facilities." By embracing this approach, the County effectively manages its resources to plan for a "low tax" future. We also recognize that in balancing these needs, the region's economic development is dependent on the County's capital infrastructure spending, which is critical to the continued growth and vitality of our community.

The Capital Projects plan for 2006-2010 continues its emphasis on the County Trunk Highway System (C.T.H.) and Justice and Public Safety projects. C.T.H. projects total over \$65.0 million, and comprise over 66% of the project plan expenditures. Justice and Public Safety capital expenditures are planned at almost \$18.2 million, which is nearly 19% of the project plan. These two areas total \$83.3 million or more than 85% of capital plan expenditures. Parks and Land Use projects are planned at almost \$7.6 million and make up 7.7% of the capital plan. The 5-year Capital Project plan, at \$97.7 million, notably reduces expenditures by 11% from last year's plan of \$110.5 million.

The 2006 Capital Project budget expenditures total \$21.2 million for the first year of the plan. This is a decrease of \$8.5 million, or nearly 29%, from the 2005 adopted budget, mostly due to the final year funding of the jail addition in the 2005 budget.

PROJECT FUNDING AND DEBT MANAGEMENT

The 2006 Capital projects budget is funded with expected revenues of \$1.2 million. Fund balance appropriations total \$3.12 million and include a \$ 2.0 million loan from the Material Recycling Fund, \$250,000 of General fund balance, and \$810,000 of Proprietary fund balances for related capital projects for various Internal Service fund projects.


In addition, major project funding includes debt borrowing of \$12.0 million (down from \$14.4 million in 2005), investment income on the borrowed funds of \$525,000, and a tax levy down payment of \$4,333,100. The tax levy amount budgeted for capital projects is reduced by \$504,400 from the 2005 adopted budget amount due to net capital expenditures being lowered by nearly \$3.0 million. After revenues and fund balances are applied, the tax levy will fund 25.7% of the net expenditures, which is well above the 20% required by the County's financial management policies.

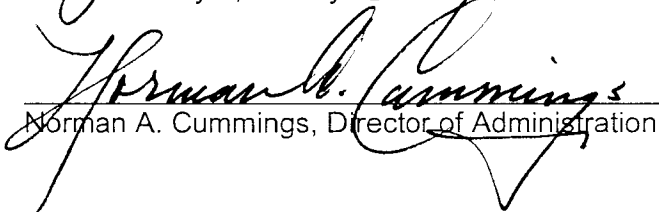
The 2006 Debt Service expenditure budget increases \$1,019,663, with tax levy funding for debt issued prior to July 1, 2005, increasing by \$819,663. No new tax levy is proposed for any borrowing after July 1, 2005, to comply with the Legislature's version of the tax levy limit. The Debt Service expenditure to total governmental operating expenditure ratio is expected to decline below 7%, which is significantly lower than the County's performance measure of less than 10%. This budget continues prudent debt management and capital budgeting policies and practices to maintain the County's coveted Aaa/AAA bond ratings. These ratings continue to help lower the County's borrowing costs for taxpayers.

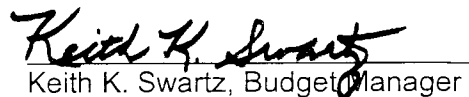
ACKNOWLEDGEMENTS

The proposed 2006 budget provides the basis to build on this year's budget theme "Budgeting for a Low Tax Future" and allows the County to meet its significant challenges that are ahead. We continue to make priority decisions using best practices and strong financial and budget management principles to prepare for the years to come without taking a "just make it through the year" approach. This budgeting philosophy has served the County well and allows us to make necessary investments today that will pay off in the future years. With the County Board's continued support in these efforts, Waukesha County will continue to be a leader in limiting tax increases and controlling spending while achieving outstanding results.

Department administrators and staff are to be commended for their outstanding efforts in developing this very challenging budget. I am looking forward to working with you during your thorough review process.


James T. Dwyer, County Executive


Norman A. Cummings, Director of Administration


Keith K. Swartz, Budget Manager